National Energy Board | Office national de l'énergie

Quarterly Financial Report
For the quarter ended 30 June 2014

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

The Board's top priorities are the continual improvement of safety and environmental protection, a robust regulatory framework for the North, and a flexible and efficient organization able to meet new and ongoing priorities.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

The NEB receives its funding through annual Parliamentary authorities. The majority of these expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2014-15 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

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The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

Personnel expenditures are $4.5M greater in Q1 2014-2015 over the same period in the previous year. This increase is primarily the result of the elimination of the employee severance pay program for represented employees in 2013-14 which resulted in payments of $3.6M in the first quarter of 2014-15. These amounts are recoverable as part of the eligible paylist and this variance is expected to be eliminated at or prior to fiscal year end. The remaining increase in personnel is related to the signing of a new collective agreement in the third quarter of 2013-14.

The increase of 1.5M in other subsidies and payments is due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada.

The NEB office relocation in the first quarter of 2014-15 has also affected various expenditures. Professional and special services expenditures have increased by $0.9M, and acquisition of machinery and equipment has increased by $0.4M over the previous year primarily due to this office relocation. Additional funding of $8.3M has been received in 2014-15 to offset relocation expenditures.

Planned Expenditures

The variances in planned expenditures for 2014-2015 over the previous year are as follows:

- The office relocation accounts for approximately $8.3M in additional funding for 2014-15. Most of this has been allocated to professional and special services though there are expected increases in other expenditure areas.

- Transfer payments relate to the NEB's Participant Funding Program. Funding for this program has increased by $1.5M in 2014-15 over the previous year as a result of special purpose funding for projects that are expected to occur in 2014-15.

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Risks and Uncertainties

Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditures and resource pressures. The NEB's responsibilities are not only shaped by emerging energy trends, but also by the proactive consideration of safety, environmental, societal and economic trends that may influence the NEB's ability to carry out its responsibilities in the Canadian public interest.

The NEB employs a risk-informed compliance verification program, which considers resource requirements to perform compliance activities and ensure those activities are completed in accordance with the plan. Corrective actions are monitored and regulated companies' operating environments observed for emerging risks and trends. In addition to increasing the number of inspections and audits conducted, the NEB's Administrative Monetary Penalties (AMPs) framework provides the NEB with additional enforcement mechanisms

The skills and experience needed by the NEB continue to be in high demand due to private sector demand in Calgary and increased workloads at the NEB. The NEB regularly reviews its People Strategy and measures employee engagement and work-life balance on a quarterly basis, which informs leadership decisions on areas of focus and assists in responding to staff concerns and interests. Staff development is supported with access to training and new career opportunities in a challenging work environment.

Significant Changes in Relation to Operations, Personnel and Programs

The National Energy Board office relocation that occurred in the first quarter of 2014-15 resulted in an increase to NEB authorities.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

The NEB was unaffected by the savings measure announced in Budget 2012. Conversely the department received additional funding to strengthen pipeline safety.

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Approval by Senior Officials

Approved by,

C. Peter Watson, P.Eng.
Chair and CEO

Ed Jansen, CA
Chief Financial Officer

(Calgary, Canada)
(29 August 2014)

STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
Operating expenditures	64,555	21,748	21,748	55,241	14,562	14,562
Contributions to employee benefit plans	6,761	1,690	1,690	7,195	1,799	1,799
Total Budgetary authorities	**71,316**	**23,438**	**23,438**	**62,436**	**16,361**	**16,361**
Non-budgetary authorities						
Total authorities	**71,316**	**23,438**	**23,438**	**62,436**	**16,361**	**16,361**

More information is available in the attached table.

** Includes only Authorities available for use and granted by Parliament at quarter-end (does not include Supplementary Estimates).*

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2014-15			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
Expenditures:						
Personnel	47,735	17,974	17,974	48,546	13,481	13,481
Transportation and communications	4,193	472	472	3,415	788	788
Information	799	39	39	589	92	92
Professional and special services	11,580	2,322	2,322	5,417	1,430	1,430
Rentals	799	74	74	589	119	119
Repair and maintenance	799	508	508	471	338	338
Utilities, materials and supplies	399	64	64	471	49	49
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	1,398	434	434	824	23	23
Transfer payments	3,614	-	-	2,114	-	-
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	1,551	1,551	-	41	41
Total gross budgetary expenditures	**71,316**	**23,438**	**23,438**	**62,436**	**16,361**	**16,361**

* *Includes only Authorities available for use and granted by Parliament at quarter-end (does not include Supplementary Estimates).*